

Tullow Oil plc

2019

AGM TRADING UPDATE

25 April 2019



# AGM Trading update

**25 April 2019** – Tullow Oil plc (Tullow) issues the following Trading Update for the period 1 January to 25 April 2019. This statement is issued in advance of the Group's Annual General Meeting (AGM) which is being held at Tullow Oil plc, Building 9, Chiswick Park, London, W4 5XT at 12pm today. The Group will announce its Trading Statement and Operational Update on 26 June 2019 and Half Year Results will be announced on 24 July 2019.

## **PAUL MCDADE, CHIEF EXECUTIVE OFFICER, TULLOW OIL PLC, COMMENTED TODAY:**

*"At today's AGM, the Board will be asking Tullow shareholders to approve the Group's first dividend payment since 2014. This 2018 final dividend and our new dividend policy, which is expected to deliver at least \$100 million per year to shareholders, reflect the financial and operational progress that Tullow has made over the past few years. Oil production from our West African portfolio is currently running at 95,000 bopd after a short-term production issue in the first quarter and is due to grow in the second half of the year and beyond. In South America, our exploration team is busy preparing for our exciting exploration campaign in Guyana."*

## **Trading Update summary**

- First quarter 2019 Group oil production averaged 84,600 bopd. This was below expectations following technical issues, now resolved, in Ghana. Group full year oil production guidance revised to 90,000 – 98,000 bopd
- Current net production is c.95,000 bopd and is expected to rise to 100,000 bopd as additional Ghana wells come on stream
- Three-well exploration programme in Guyana to commence in June 2019 with the drilling of the Jethro and Joe prospects on the operated Orinduik licence. The Carapa well on the non-operated Kanuku licence is anticipated to commence 3Q 2019
- At 31 March 2019, net debt was \$3 billion with \$1 billion of liquidity headroom and no near-term debt maturities
- 2018 final recommended dividend of 4.8c/share (c.\$67 million). New dividend policy of no less than \$100 million per annum
- Uganda FID planned for the second half of 2019; farm-down approval being finalised with Government of Uganda
- Project Oil Kenya development continues to progress; late 2019 FID contingent on key Government of Kenya deliverables
- Three new licences won in the Malvinas West Basin in the recent Argentina bid round with work due to begin in 2020
- Sheila Khama and Genevieve Sangudi to join Tullow's Board as Non-Executive Directors. Tutu Agyare retires from the Board after nine years' much-valued service

## **Board Update**

On 28 February 2019, Tullow announced that Tutu Agyare will resign as a Non-Executive Director, with effect from the conclusion of today's AGM. Tutu joined Tullow in 2010 as a Non-Executive Director and has provided significant support and insight to Tullow and has been a member of several Board committees, including chairing the Remuneration Committee for the past two years. Tullow also announced the appointment of Sheila Khama and Genevieve Sangudi as Non-Executive Directors of Tullow with effect from 26 April 2019. Sheila and Genevieve will stand for election to the Board at the 2020 AGM.

## **Operational Update**

### **WEST AFRICA**

#### **Production**

Working interest production for the first quarter of 2019 averaged 84,600 bopd, including production-equivalent insurance payments. This performance was below expectations due to gas compression constraints on Jubilee during February and a delay in completing the Enyenra-10 production well at the TEN field. Both issues have now been resolved: gas compression on Jubilee has been reinstated and the Enyenra-10 production well has been successfully completed and came onstream in early March.

The lower production from Ghana has been partially offset by strong performance from the Central and West Africa non-operated portfolio, with the new Simba and Ruche fields in Gabon significantly exceeding expectations.

The Group is currently producing over 95,000 bopd and, with an additional TEN production well due onstream before the half-year, Tullow's net oil production is expected to rise to 100,000 bopd in the second half of 2019. To account for the lower performance in the first quarter, the 2019 production forecast range has been adjusted from 93,000-101,000 bopd to 90,000-98,000 bopd. This forecast includes production-equivalent insurance payments of 1,000 bopd from Tullow's Corporate Business Interruption insurance.

Working interest gas production for the full year is expected to average 1,000 boepd.

A full breakdown of production for the first quarter and the full year forecast is provided at the end of this release.

## Drilling

The Stena Forth and Maersk Venturer drillships have been working in tandem on Ghana drilling and completion operations throughout the first quarter with three wells drilled and two wells completed. The Stena Forth will cease operations in Ghana at the end of May and will move to Guyana in June. The Maersk Venturer will continue with drilling and completion operations in Ghana.

## EAST AFRICA

### Kenya

Tullow continues to target a Final Investment Decision (FID) in Kenya by year-end although this remains an ambitious target. Tullow is finalising its FEED studies for both the upstream and midstream, and both the upstream and midstream ESAs remain on track for submission to the National Environmental Management Agency at the end of the second quarter. The Government of Kenya, via the National Land Commission, has gazetted the land required for the upstream development in Turkana and, so far, approximately two-thirds of the pipeline. Discussions with Government regarding key commercial agreements are making steady progress. A late 2019 FID remains contingent on these key Government of Kenya deliverables.

The Early Oil Pilot Scheme continues to truck 600 bopd to Mombasa where 80,000 barrels of oil are being stored ahead of export. Following receipt of Regulatory Authority approval, which is expected shortly, production will be increased to 2,000 bopd, with the first export cargo expected in the third quarter of 2019.

### Uganda

As previously disclosed, following meetings in January 2019 between the CEOs of both Tullow and Total and H.E. President Museveni of Uganda, Tullow has agreed the principles for the tax treatment of its \$900 million farm-down to CNOOC and Total. Discussions with the Government and the Joint Venture Partners are ongoing to finalise an agreement reflecting this tax treatment. These discussions are expected to conclude shortly and will enable completion of the farm-down.

The Joint Venture Partners continue to work towards reaching FID for the development project in the second half of 2019 with the project making good technical and operational progress in the first quarter of this year.

## NEW VENTURES

In Guyana, Tullow plans to drill two wildcat wells on the Orinduik licence from June 2019 onwards using the Stena Forth drillship. The first well will target the Jethro prospect which is a Lower Tertiary target in approximately 1,350 metres of water. The second well will be the Joe prospect, an Upper Tertiary target in water depths of approximately 650 metres. Both wells are targeting prospects of 100 to 200 million barrels of oil. The Carapa-1 well on the non-operated Kanuku block is expected to be drilled in the third quarter of 2019. The Carapa prospect is a 200 million barrel Cretaceous target located in 70 metres of water and will be drilled using a jack-up rig. Preparations for this well are ongoing.

The Group also continues to seek to access new acreage in both Africa and South America. Earlier this month, Tullow won three blocks in the Malvinas West Basin, offshore Argentina, in a highly competitive bidding round with formal awards to be made later this year. Tullow has secured 100% equity in block MLO-122 and 40% equity in blocks MLO-114 and MLO-119, in partnership with Pluspetrol and Wintershall. The shallow water, Tertiary and Cretaceous age turbidite plays in this underexplored acreage compliment Tullow's existing South America portfolio. The multi-year low-cost, low-commitment work programmes also adhere to Tullow's strict commercial criteria. Tullow plans to start initial geological studies, 2D reprocessing and 3D acquisition in 2020.

Elsewhere within the portfolio, Tullow continues to work up prospects to compete for capital for drilling in 2020 and beyond in Mauritania, Côte d'Ivoire, Jamaica, Peru and Suriname.

## Financial Update

On 31 March 2019, Tullow had total facility headroom and free cash of \$1 billion, and net debt of \$3 billion. Tullow's 2019 capital expenditure guidance of \$570 million remains unchanged. This excludes Uganda expenditure of \$130 million (which has been revised down from \$180 million) that will be funded through the Uganda farm-down. Tullow continues to generate strong free cash flow with the bulk of its forecast 2019 free cash flow expected to be delivered in the second half of the year. This reflects Tullow's oil lifting schedule which is weighted towards the second half, partly driven by the lower than expected production in the first quarter of 2019. The full-year free cash flow outturn will also be dependent on the completion of the Uganda farm-down, the oil price and working capital movements.

As at 31 March 2019, the Group's oil hedge position was as follows:

<b>Oil hedge position at 31 March 2019</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Volume (bopd)	54,989	30,997	6,000
Average floor price protected (\$/bbl)	\$56.40	\$58.68	\$55.00

The realised oil price for the first quarter of 2019 was \$63.4/bbl.

## **GROUP AVERAGE WORKING INTEREST PRODUCTION <sup>(1)</sup>**

<b>Oil Production</b>	<b>Q1 2019 Actuals (bopd)</b>	<b>FY 2019 Forecast (bopd)</b>
Ghana	58,500	67,500
<i>Jubilee</i>	<i>28,400</i>	<i>33,000</i>
<i>TEN</i>	<i>30,100</i>	<i>34,500</i>
Ghana Jubilee production-equivalent insurance payments	1,300	1,000
Equatorial Guinea	5,600	6,000
Gabon	16,300	17,000
Côte d'Ivoire <sup>(1)</sup>	2,900	2,500
<b>OIL PRODUCTION SUB-TOTAL (inc. Jubilee production-equivalent)</b>	<b>84,600</b>	<b>94,000</b>
<b>Gas Production</b>	<b>(boepd)</b>	<b>(boepd)</b>
Ghana (TEN)	500	1,000
<b>GROUP TOTAL (inc. Jubilee production-equivalent)</b>	<b>85,100</b>	<b>95,000</b>

(1) Includes condensate

### **FOR FURTHER INFORMATION CONTACT:**

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## **Notes to Editors**

### **About Tullow Oil plc**

Tullow is a leading independent oil & gas, exploration and production group, quoted on the London, Irish and Ghanaian stock exchanges (symbol: TLW). The Group has interests in over 85 exploration and production licences across 17 countries which are managed as three business delivery teams: West Africa, East Africa and New Ventures.

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